



## **Review of Piedmont Natural Gas Company's Gas Rate Stabilization Act Monitoring Report for the Period Ending March 31, 2021**

South Carolina  
Office of Regulatory Staff

September 1, 2021

## Introduction

On February 16, 2005, the Natural Gas Rate Stabilization Act (“RSA”), S.C. Code Ann. § 58-5-400, was signed into law. The South Carolina Office of Regulatory Staff (“ORS”), in accordance with the RSA, conducted an examination of Piedmont Natural Gas Company’s (“Piedmont” or “the Company”) Monitoring Report for the twelve-month period ended March 31, 2021 (“Review Period”). The examination was conducted for the purpose of determining the Company’s compliance with the provisions of the RSA.

Pursuant to the RSA, the Company must file Monitoring Reports with the Public Service Commission of South Carolina (“Commission”) and the ORS on or before the fifteenth of June. In Docket No. 2021-7-G, Piedmont filed its Monitoring Report with the Commission on June 15, 2021 (“Company’s Request”). The Company reported in its March 31, 2021 Monitoring Report an adjusted rate of return and return on common equity of 5.73% and 7.18%, respectively. The Company’s calculation of revenue requirements totaled an increase of \$20,605,507 consisting of a \$17,282,002 margin increase and a \$3,323,505 increase for demand cost under-recovery.

In accordance with the RSA, ORS’s audit reports are provided to the Commission, the Company, and made available to all interested parties no later than September first. ORS’s review of Piedmont’s Monitoring Report focused on the Company’s adherence to the RSA and applicable Commission Orders. This report details the results of ORS’s examination.

ORS appreciates the Company’s efforts to present its books and records in an accurate and transparent manner. Piedmont’s response to ORS’s discovery and questions was timely and thorough. On August 26, 2021, ORS discussed with the Company the results of its examination.

## RSA Rates History

In accordance with the guidelines of the RSA, the Company is entitled to an adjustment in rates sufficient to achieve a return on common equity as set by Commission Order No. 2005-491, currently 12.60%. Table 1 shows the requested and approved changes granted for prior RSA filings and a comparison to the current filing.

**Table 1:**

Docket No.	Order No.	Amount Requested	Change in Revenue per ORS Report	Amount Granted	Approved Return on Equity	Rates Effective
2017-7-G	2017-624	\$17,552,834	\$12,094,357	\$5,829,357	10.20%	11/1/2017
2018-7-G	2018-679	(\$5,686,837)	(\$13,643,555)	(\$15,990,582)	10.20%	11/1/2018
2019-7-G	2019-730	\$16,964,048	\$16,972,886	\$10,127,266	9.90%	11/1/2019
2020-7-G	2020-702(A)	\$12,446,419	\$11,583,831	\$4,100,818	9.80%	11/1/2020
2021-7-G	TBD	\$20,605,507	\$19,093,392	TBD	12.60%	11/1/2021

## ORS Review

ORS examined the operating experience reported by the Company for the Review Period together with the associated revenue requirement calculations. The results of ORS's examination of the Monitoring Report and the underlying financial records through March 31, 2021, are contained in **Schedule 1**.

**Schedule 1** presents the Company's operating experience, rate base and rates of return for the Review Period, and the accounting and pro forma adjustments which ORS determined are necessary to normalize the Company's operations.

Utilizing the per book rate base of \$452,680,055, and income of \$29,583,876, a rate of return was calculated on per book operations of 6.54% with a corresponding return on common equity of 8.77%. ORS accounting and pro forma adjustments decreased net operating income for return to \$26,729,947 and decreased rate base to \$452,602,651. A rate of return of 5.91% and a return on common equity of 7.58% were computed by ORS. After the adjustments for the proposed margin increase of \$15,769,970 and an increase for demand cost over-recovery of \$3,323,422, net operating income for return increased to \$38,595,421. The rate of return on rate base computed by ORS, after the adjustments for the proposed margin increase and demand cost under-recovery, is 8.53%. The return on common equity is 12.60%.

**Schedule 2** presents an explanation of the accounting and pro forma adjustments ORS recommends for the Company's Monitoring Report to conform to S.C. Code Ann. §§ 58-

5-430 through 58-5-450. For comparative purposes, the adjustments of both the Company and ORS are presented on Schedule 2.

**Schedule 3** presents the calculation of the weighted cost of capital used by ORS to calculate the Company's return on common equity both before and after ORS's adjustments for the proposed margin increase. The rate base, as shown on Schedule 1, is allocated between long-term debt and common equity using the Company's actual capital structure of 52.20% Common Equity and 47.80% Long-Term Debt for the Review Period. The as adjusted amount of total income for return necessary to cover an embedded cost rate of 4.08% on long-term debt is computed to be \$8,826,838. The remainder of the total income for return of \$17,903,109 is income to common equity. This produced a return of 7.58% on common equity before the proposed increase. The overall cost of capital after accounting and pro forma adjustments, prior to the proposed increase, is 5.91%. The cost of capital after the proposed increase equals 8.53%.

## Non-allowable Expenses

PNG proposed a total non-allowable adjustment of (\$463,502), comprised of (\$4,465) for lobbying, (\$63,844) to remove fifty percent (50%) of aviation expenses and (\$395,193) for other non-allowables. ORS's proposed total non-allowable expense adjustment is (\$513,502), which is comprised of ORS Adjustments #3l, #3m and #3n. Below is a description of the categories of non-allowable expenses identified by ORS.

- Excessive Operating Expenses – Excessive expenses not considered necessary for the provision of safe and reliable gas operations such as aviation expenses.
- Lobbying – Expenses related to political purposes.
- Recreation, Entertainment or Non-Essential Employee Benefits – Expenses not considered necessary for ratemaking such as refreshments, flowers, employee appreciation related items, and membership and association dues for non-professional organizations.
- Development Grants and Sponsorships – Costs of sponsorships and grants to non-profit organizations that do not directly relate to the provision of safe and reliable gas operations or increase total system sales and customers.
- Company Agrees Non-Allowable - Expenses ORS selected for testing for which the Company agreed were non-allowable expenses.
- Insufficient Documentation – Expenses ORS selected for testing for which the Company noted there was not enough documentation available to support the expense.
- Wrong Jurisdiction – Expenses related to another jurisdiction but were mistakenly included for recovery from the Company's South Carolina customers.

## Employee Incentive Pay and Executive Salary

ORS's Adjustment #3o for incentive pay and executives' salaries and benefits is (\$599,169). ORS recommends an adjustment of (\$579,600) to remove the portion of Long-Term Incentives and Short-Term Incentives for all employees allocated to South Carolina natural gas operations for the Company's Earnings per Share ("EPS") and Total Shareholder Return ("TSR") goals.<sup>1</sup> ORS's recommendation to exclude incentive compensation expenses associated with EPS and TSR is based on the following rationale: 1) payments for financial goals are not certain; 2) earnings can be influenced greatly by factors such as customer growth and higher authorized returns that are not directly attributed to the actions of Company employees; and 3) incentive payments to employees should be made using increased earnings not through customer rates.

ORS also recommends an adjustment of (\$19,569) to remove fifty percent (50%) of the base pay and benefits paid to the Company's four (4) highest compensated executives allocated to the Company's South Carolina natural gas operations. These four (4) executives' job duties are solely focused on increasing value for the Company's shareholders.<sup>2</sup>

ORS also recommends Adjustment #5f in the amount of (\$44,938) to remove the payroll tax expenses associated with the incentive pay and the 50% of base pay and benefits for the Company's (4) highest compensated executives removed in ORS Adjustment #3o.

In addition, PNG capitalized a portion of employee incentives and associated taxes for work related to plant-in-service. Commission Order No. 2020-702(A) required the Company to report to ORS the employees whose incentive pay has been capitalized and included in rate base and the amount thereof. The Company complied with the Commission's Order and provided the information to ORS.

## Capital Structure

S.C. Code Ann. § 58-5-440 contains requirements for the March Monitoring Report and states:

- (1) if the utility's earnings exceed the upper end of the range established in the order, the utility shall calculate the reduction in revenue required to lower its return on equity to the midpoint of the range established in the order; or (2) if the utility's earnings are below the lower range established in the order, the utility shall calculate the

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<sup>1</sup> This adjustment is consistent with Commission Order No. 2019-729 in Docket No. 2019-6-G and Order No. 2021-570 in Docket No. 2020-125-E, which was a settled proceeding.

<sup>2</sup> This adjustment is consistent with Commission Order No. 2019-729 in Docket No. 2019-6-G. This adjustment is also consistent with Order No. 2019-730 in Docket No. 2019-7-G, Order No. 2020-702(A) in Docket No. 2020-7-G, and Order No. 2021-570 in Docket No. 2020-125-E, which were settled proceedings.

additional revenue required to increase its return on equity to the midpoint of the range established in the order.

The range is 12.10% to 13.10% with a midpoint of 12.60% return on equity established by Commission Order No. 2005-491.

The Company included in the RSA filing a hypothetical or “target” capital structure comprised of 47.00% Long-Term Debt and 53.00% Common Equity. The Company’s balance sheet for the twelve-month period ending March 31, 2021 reflected an actual capital structure, consisting of 47.80% Long-Term Debt and 52.20% Common Equity. ORS applied the Company’s actual capital structure for this period for purposes of the RSA.

The actual Common Equity ratio as of March 31, 2021 is 0.11 percentage points lower than the actual Common Equity ratio as of March 31, 2020 (*i.e.*, 52.31%). ORS recommends the actual capital structure for the current period be used for purposes of this report.

## **Settlement Agreement and General Rate Case**

On September 12, 2019 ORS and the Company filed a Settlement Agreement where, among other items, the Company agreed to file a retail natural gas general rate case proceeding with the Commission no later than April 1, 2022. The Commission approved the Settlement Agreement in Order No. 2019-730.

## **Rate Design and Allocation of Additional Revenue**

S.C. Code Ann. § 58-5-440 states, “The proposed rate changes, filed by the utility, shall conform as nearly as is practicable with the revenue allocation principles contained in the most recent rate order.” ORS reviewed the Company’s proposed tariffs for conformance, as nearly as practicable, with the revenue allocation principles set out in the Company’s most recent rate order, which is Commission Order No. 2002-761 in Docket No. 2002-63-G. If the Commission approves the findings of ORS’s examination, the Company will then apply the change in revenue amount in proportion to the Company’s Request using the same criteria. ORS will verify the new rates generate the approved revenue change.

## **Revenue Verification**

ORS verified that the approved rates for April 1, 2020 through March 31, 2021 reflect actual revenues generated during the Review Period. ORS utilized the approved rates in effect at the time the Monitoring Report was filed to obtain the annualized revenues. ORS utilized the rate schedules effective November 1, 2020, and a pro-forma adjustment to revenue and expenses for the cost of gas as reflected in the Company’s most recent Gas Cost Recovery Mechanism.

ORS verified the proposed revised tariffs in Schedule 2 of Piedmont's filing will have the following effects. A margin revenue increase of \$17,282,002 for the adjustment for proposed margin (Piedmont Schedule 7, Adjustment 11) and a demand cost revenue increase of \$3,323,505 (Piedmont Schedule 7, Adjustment 17).

ORS's review determined the retail revenue target increase is as follows:

- 1) A margin revenue increase of \$15,769,970 for the adjustment for proposed margin (ORS Schedule 1, Adjustment 11); and
- 2) A demand cost revenue increase of \$3,323,422 (ORS Schedule 1, Adjustment 17).

ORS decreased the Company's proposed revenue increase by \$1,512,115 or 7.34%. The results of ORS's examination are shown on Schedule 1.

## Conclusions

ORS reviewed Piedmont's Monitoring Report and conducted an examination of the Company's books and records. ORS verified and confirmed the following revenue when applying the provisions of the RSA, ORS's recommended adjustments and guidance from prior Commission orders:

- Margin revenue increase of \$15,769,970; and
- Demand cost revenue increase of \$3,323,422 for Cost of Gas – Demand.

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## Schedule 1

**Piedmont Natural Gas Company**  
**South Carolina Operations**  
**Net Operating Income and Rate of Return**  
**For the Twelve-Month Period Ended March 31, 2021**  
**Docket No. 2021-7-G**

	(1)	(2)	(3)	(4)	(5)	(6)
	Per Regulatory Books	ORS Accounting and Pro Forma Adjustments	ORS As Adjusted	Adjustments for Proposed Margin Increase	Adjustments for Demand Cost Under(Over) Recovery	Total After Proposed Rates
<b><u>Operating Revenues</u></b>						
1 Sale and Transportation of Gas	\$ 147,060,368	\$ (2,470,026)	(1) \$ 144,590,342	\$ 15,769,970	(11) \$ 3,323,422	(17) \$ 163,683,734
2 Other Operating Revenues	310,458	0	310,458	0	0	310,458
3 Total Operating Revenues	<u>147,370,826</u>	<u>(2,470,026)</u>	<u>144,900,800</u>	<u>15,769,970</u>	<u>3,323,422</u>	<u>163,994,192</u>
<b><u>Operating Expenses</u></b>						
4 Cost of Gas	55,032,332	(2,774,329)	(2) 52,258,003	0	3,294,322	(18) 55,552,325
5 Operations and Maintenance	33,653,252	(619,238)	(3) 33,034,014	43,127	9,089	(19) 33,086,230
6 Depreciation	16,635,076	2,406,118	(4) 19,041,194	0	0	19,041,194
7 General Taxes	9,695,579	(199,726)	(5) 9,495,853	94,956	20,011	(20) 9,610,820
8 State Income Taxes	(179,125)	1,315,180	(6) 1,136,055	781,594	0	1,917,649
9 Federal Income Taxes	3,694,669	223,730	(7) 3,918,399	3,118,561	0	7,036,960
10 Amortization of Investment Tax Credits	59,449	0	59,449	0	0	59,449
11 <b>Total Operating Expenses</b>	<u>118,591,232</u>	<u>351,735</u>	<u>118,942,967</u>	<u>4,038,238</u>	<u>3,323,422</u>	<u>126,304,627</u>
12 <b><u>Net Operating Income</u></b>	<u>28,779,594</u>	<u>(2,821,761)</u>	<u>25,957,833</u>	<u>11,731,732</u>	<u>0</u>	<u>37,689,565</u>
13 Interest on Customers' Deposits	(95,274)	0	(95,274)	0	0	(95,274)
14 Amortization of Debt Redemption Premium	0	0	0	0	0	0
15 Allowance for Funds Used During Construction	571,469	0	571,469	0	0	571,469
16 Customer Growth	328,087	(32,168)	(9) 295,919	133,742	0	429,661
17 <b><u>Net Operating Income for Return</u></b>	<u>\$ 29,583,876</u>	<u>\$ (2,853,929)</u>	<u>\$ 26,729,947</u>	<u>\$ 11,865,474</u>	<u>\$ 0</u>	<u>\$ 38,595,421</u>
<b><u>Rate Base:</u></b>						
18 Plant in Service	\$ 744,208,639	0	\$ 744,208,639			\$ 744,208,639
19 Accumulated Depreciation	<u>(263,882,506)</u>	<u>0</u>	<u>(263,882,506)</u>			<u>(263,882,506)</u>
20 Net Plant in Service	480,326,133	0	480,326,133			480,326,133
Add:						
21 Construction Work in Progress	68,646,047	0	68,646,047			68,646,047
22 Materials and Supplies	6,135,164	0	6,135,164			6,135,164
23 Cash Working Capital	6,204	(77,404)	(10) (71,200)			(71,200)
Deduct:						
24 Customers' Advances	0	0	0			0
25 Customers' Deposits	2,781,037	0	2,781,037			2,781,037
26 Accumulated Deferred Income Taxes	99,634,730	0	99,634,730			99,634,730
27 Unclaimed Funds	<u>17,726</u>	<u>0</u>	<u>17,726</u>			<u>17,726</u>
28 <b>Total Rate Base:</b>	<u>\$ 452,680,055</u>	<u>\$ (77,404)</u>	<u>\$ 452,602,651</u>			<u>\$ 452,602,651</u>
29 <b><u>Rate of Return</u></b>	<u>6.54%</u>		<u>5.91%</u>			<u>8.53%</u>
30 <b><u>Return on Common Equity</u></b>	<u>8.77%</u>		<u>7.58%</u>			<u>12.60%</u>



**Piedmont Natural Gas Company**  
**South Carolina Operations**  
**Explanations of Accounting and Pro Forma Adjustments**  
**For the Twelve-Month Period Ended March 31, 2021**  
**Docket No. 2021-7-G**

<u>Line No.</u>	<u>Description</u>	<u>Per ORS</u>	<u>Per Piedmont</u>
<b>1</b>	<b><u>Operating Revenues - Sale and Transportation of Gas</u></b>		
	To adjust revenues to the going-level basis.	\$ (2,470,026)	\$ (2,470,026)
	<b><u>Total Operating Revenues - Sale and Transportation of Gas</u></b>	\$ <u>(2,470,026)</u>	\$ <u>(2,470,026)</u>
<b>2</b>	<b><u>Cost of Gas</u></b>		
	To adjust cost of gas to the going-level basis.	\$ (2,774,329)	\$ (2,774,329)
	<b><u>Total Cost of Gas</u></b>	\$ <u>(2,774,329)</u>	\$ <u>(2,774,329)</u>
<b>3</b>	<b><u>Operations and Maintenance Expenses</u></b>		
	a. To adjust payroll expenses to the going-level basis.	\$ 283,884	\$ 283,884
	b. To adjust pension and OPEB expenses to the going-level basis.	\$ 52,945	\$ 52,945
	c. To adjust employee retirement and welfare benefit expenses to the going-level basis.	\$ 303,297	\$ 303,297
	d. To adjust expenses for the provision for uncollectible accounts to reflect actual net write-offs over a three-year period.	\$ (236,202)	\$ (236,202)
	e. To adjust expenses for allocations to non-utility activities.	\$ (14,677)	\$ (14,677)
	f. To adjust LTI - equity incentives expenses to the going-level basis	\$ -	\$ 15,427
	g. To adjust STI - short term incentives expenses to the going-level basis.	\$ -	\$ 316,088
	h. To adjust lease expenses to the going-level basis.	\$ 3,840	\$ 3,840
	i. To adjust expenses for the South Carolina assessment fee.	\$ (56,399)	\$ (58,877)
	j. To adjust expenses for amortization of deferred SC environmental expense.	\$ 315,101	\$ 315,101
	k. To adjust expenses for Gas Technology Institute (GTI) program dues expense.	\$ -	\$ -
	l. To adjust expenses for lobbying as non-allowable for ratemaking purposes.	\$ (4,465)	\$ (4,465)
	m. To adjust expenses for 50% of aviation as non-allowable for ratemaking purposes.	\$ (63,844)	\$ (63,844)
	n. To adjust expenses for other non-allowables for ratemaking purposes.	\$ (445,193)	\$ (395,193)
	o. To adjust the Company's LTI & STI to remove amounts associated with Earnings Per Share and Total Shareholder Return and remove 50% of the Company's four highest compensated executives' base pay and benefits.	\$ (599,169)	\$ (191,868)

Piedmont Natural Gas Company  
South Carolina Operations  
Explanations of Accounting and Pro Forma Adjustments  
For the Twelve-Month Period Ended March 31, 2021  
Docket No. 2021-7-G

<u>Line No.</u>	<u>Description</u>	<u>Per ORS</u>	<u>Per Piedmont</u>
p.	To adjust expenses for customer payment fees to the going level basis	\$ (158,356)	\$ 82,329
	<b><u>Total Operations and Maintenance Expense</u></b>	<b>\$ (619,238)</b>	<b>\$ 407,785</b>
4	<b><u>Depreciation Expense</u></b>		
	To adjust depreciation expense to the going-level basis using the most current depreciation study rates.	\$ 2,406,118	\$ 2,317,015
	<b><u>Total Depreciation Expense</u></b>	<b>\$ 2,406,118</b>	<b>\$ 2,317,015</b>
5	<b><u>General Taxes</u></b>		
a.	To adjust property taxes to the going-level basis.	\$ (191,839)	\$ (191,839)
b.	To adjust franchise tax and gross receipts tax expense to the going-level basis.	\$ 30,207	\$ 30,207
c.	To adjust payroll tax expenses to the going-level basis.	\$ 21,717	\$ 47,078
d.	To adjust the utility license fee (rate of .302132%) to the going-level basis.	\$ (7,410)	\$ (7,410)
e.	To adjust assessment fee to the going-level basis	\$ (7,463)	\$ (7,524)
f.	To adjust payroll taxes based upon ORS adjustment 3o.	\$ (44,938)	\$ -
	<b><u>Total General Taxes</u></b>	<b>\$ (199,726)</b>	<b>\$ (129,488)</b>
6	<b><u>State Income Taxes</u></b>		
	To adjust state income taxes (rate of 5%) to reflect the impact on income for accounting and pro forma adjustments.	\$ 1,315,180	\$ 1,270,971
	<b><u>Total State Income Taxes</u></b>	<b>\$ 1,315,180</b>	<b>\$ 1,270,971</b>
7	<b><u>Federal Income Taxes</u></b>		
a.	To adjust federal income taxes (rate of 21%) to reflect the impact on income for accounting and pro forma adjustments.	\$ 838,189	661,798
b.	To adjust expenses for the 2017 tax reform EDIT giveback to customers.	\$ (614,459)	\$ (614,459)
	<b><u>Total Federal Income Taxes</u></b>	<b>\$ 223,730</b>	<b>\$ 47,339</b>
8	<b><u>Amortization of Debt Redemption Premium</u></b>		
	To adjust net operating income for amortization of debt redemption premium.	\$ -	\$ -
	<b><u>Total Amortization of Debt Redemption Premium</u></b>	<b>\$ -</b>	<b>\$ -</b>

## Schedule 2

Piedmont Natural Gas Company  
South Carolina Operations  
Explanations of Accounting and Pro Forma Adjustments  
For the Twelve-Month Period Ended March 31, 2021  
Docket No. 2021-7-G

Line No.	Description	Per ORS	Per Piedmont
9	<b><u>Customer Growth</u></b>		
	To adjust net operating income to reflect anticipated customer growth (rate of 1.14%) following the adjustments to operating revenues and expenses.	\$ (32,168)	\$ (41,146)
	<b><u>Total Customer Growth</u></b>	\$ (32,168)	\$ (41,146)
10	<b><u>Cash Working Capital</u></b>		
	To adjust cash working capital following the pro forma adjustments to operations and maintenance expenses (rate of 12.5%).	\$ (77,404)	\$ 50,973
	<b><u>Total Cash Working Capital</u></b>	\$ (77,404)	\$ 50,973
11	<b><u>Operating Revenues - Sale and Transportation of Gas</u></b>		
	To adjust the revenue requirement for the sale and transportation of gas for the proposed margin increase.	\$ 15,769,970	\$ 17,282,002
	<b><u>Total Operating Revenues - Sale and Transportation of Gas</u></b>	\$ 15,769,970	\$ 17,282,002
12	<b><u>Operations and Maintenance Expenses</u></b>		
	To adjust the provision for uncollectible accounts (rate of .27347%) following the adjustment to operating revenues.	\$ 43,127	\$ 47,262
	<b><u>Total Operations and Maintenance Expenses</u></b>	\$ 43,127	\$ 47,262
13	<b><u>General Taxes</u></b>		
	To adjust the utility license fee (rate of .3%) and gross receipts tax (rate of .302132%) following the adjustment to operating revenues.	\$ 94,956	\$ 104,489
	<b><u>Total General Taxes</u></b>	\$ 94,956	\$ 104,489
14	<b><u>State Income Taxes</u></b>		
	To adjust state income taxes (rate of 5%) to reflect the impact on income from the adjustments to operating revenues and expenses.	\$ 781,594	\$ 856,513
	<b><u>Total State Income Taxes</u></b>	\$ 781,594	\$ 856,513
15	<b><u>Federal Income Taxes</u></b>		
	To adjust federal income taxes (rate of 21%) to reflect the impact on income from the adjustments to operating revenues, expenses and state income taxes.	\$ 3,118,561	\$ 3,417,485
	<b><u>Total Federal Income Taxes</u></b>	\$ 3,118,561	\$ 3,417,485

## Schedule 2

Piedmont Natural Gas Company  
South Carolina Operations  
Explanations of Accounting and Pro Forma Adjustments  
For the Twelve-Month Period Ended March 31, 2021  
Docket No. 2021-7-G

<u>Line No.</u>	<u>Description</u>	<u>Per ORS</u>	<u>Per Piedmont</u>
16	<b><u>Customer Growth</u></b>		
	To adjust net operating income to reflect anticipated customer growth (rate of 1.14%) following the adjustments to operating revenues and expenses.	\$ 133,742	\$ 146,561
	<b><u>Total Customer Growth</u></b>	\$ 133,742	\$ 146,561
17	<b><u>Operating Revenues - Sale and Transportation of Gas</u></b>		
	To adjust the revenue requirement for the sale and transportation of gas associated with demand cost recovery.	\$ 3,323,422	\$ 3,323,505
	<b><u>Total Operating Revenues - Sale and Transportation of Gas</u></b>	\$ 3,323,422	\$ 3,323,505
18	<b><u>Cost of Gas</u></b>		
	To adjust cost of gas for the demand cost recovery.	\$ 3,294,322	\$ 3,294,322
	<b><u>Total Cost of Gas</u></b>	\$ 3,294,322	\$ 3,294,322
19	<b><u>Operations and Maintenance Expenses</u></b>		
	To adjust the provision for uncollectible accounts (rate of .27347%) following the adjustment to operating revenues for demand cost recovery.	\$ 9,089	\$ 9,089
	<b><u>Total Operations and Maintenance Expenses</u></b>	\$ 9,089	\$ 9,089
20	<b><u>General Taxes</u></b>		
	To adjust the utility license fee (rate of .3%) and gross receipts tax (rate of .302132%) for the adjustment to revenues for demand cost recovery.	\$ 20,011	\$ 20,094
	<b><u>Total General Taxes</u></b>	\$ 20,011	\$ 20,094

## Schedule 3

**Piedmont Natural Gas Company  
South Carolina Operations  
Weighted Cost of Capital  
For the Twelve-Month Period Ended March 31, 2021  
Docket No. 2021-7-G**

<u>Description</u>	<u>Capital Structure</u>	<u>Calculated Ratio</u>	<u>Regulatory Per Books</u>			<u>Income For Return</u>	<u>ORS As Adjusted</u>			<u>Income For Return</u>	<u>After Proposed Rates</u>			<u>Income For Return</u>
			<u>Rate Base</u>	<u>Embedded Cost/Return</u>	<u>Overall Cost/Return</u>		<u>Rate Base</u>	<u>Embedded Cost/Return</u>	<u>Overall Cost/Return</u>		<u>Rate Base</u>	<u>Embedded Cost/Return</u>	<u>Overall Cost/Return</u>	
Long-Term Debt	2,962,103,053	47.80%	216,381,066	4.09%	1.96%	8,849,986	216,344,067	4.08%	1.95%	8,826,838	216,344,067	4.08%	1.95%	8,826,838
Common Equity	3,234,877,902	52.20%	236,298,989	8.77%	4.58%	20,733,890	236,258,584	7.58%	3.96%	17,903,109	236,258,584	12.60%	6.58%	29,768,583
<b>Total</b>	<u>6,196,980,955</u>	<u>100.00%</u>	<u>452,680,055</u>		<u>6.54%</u>	<u>29,583,876</u>	<u>452,602,651</u>		<u>5.91%</u>	<u>26,729,947</u>	<u>452,602,651</u>		<u>8.53%</u>	<u>38,595,421</u>